

Montgomery kills 'phantom' benefits for employees in effort to craft budget

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The Montgomery County Council on Tuesday unanimously killed a set of retirement benefits known as "phantom" cost-of-living increases, taking a concrete step toward piecing together a \$4.3 billion post-recession budget that remains a source of intense political jockeying.

After making a deal last year with the local firefighters union, the county began paying benefits to thousands of employees based on raises that were not given.

The arrangement was intended as a consolation after negotiated salary increases were scaled back, but critics said the ghost increases were unaffordable, given Montgomery's [fiscal shortfall](#), and indefensible as a matter of policy. Officials said the vote to eliminate them would save more than \$7 million next year and \$200 million over 40 years.

The move was also designed in part to assuage concerns from bond rating agencies, which have questioned county spending practices, including officials' use of reserves to help make up for a sharp decrease in income tax revenue.

"This sends a clear signal to the rating agencies that the county is serious about addressing the structural budget deficit," said council member Phil Andrews (D-Rockville-Gaithersburg). He proposed the legislation to undo the retirement benefits and cast the sole vote against the arrangement last year.

"If you look at what the trends are in spending over the next few years against projected revenues, there's a gap of hundreds of millions of dollars," Andrews said. "That is independent of the economy. So this is a first step to help address that."

John Sparks, president of the firefighters union, said his members "have a lot of heartburn with the council breaking an agreed-upon concession." Members of police and general government workers unions also received the pension benefit.

Sparks said firefighters are forgoing significant raises, including a 10.5 percent boost that had been set to start in July but was canceled in the budget squeeze.

"We gave back a 10.5 percent pay raise this year. That is a significant amount of money. In two years, firefighters have given back to the county over a 14 percent pay increase," Sparks said. "We're not greedy employees. We're not trying to get back our concessions."

A labor administrator ruled this week that the county had violated its agreement with the firefighters by not negotiating over the change and directed officials to "engage in such bargaining forthwith."

Sparks said that was a moral victory but would not change the outcome of Tuesday's council decision. Council members said they would consider legislation to reduce the impact of their decision on employees who had already applied for disability retirement benefits.

Council members struggled Tuesday over key elements of their budget package. President Nancy Floreen (D-At Large) had said an agreement on [the contentious question of school funding](#) would be disclosed Tuesday, but it wasn't.

Public schools account for roughly half of the budget, and the proposal by County Executive Isiah Leggett (D) calls for giving schools, after adjusting for a one-time debt payment, a slight increase while cutting deeply into other departments.

One council proposal called for reducing Leggett's public education allotment by \$33 million. But a more recent proposal shrank that figure, said council member Valerie Ervin (D-Silver Spring). "It went from 33 [million] way down to 19, which to me is not going to . . . balance the budget," she said.